
OLR Bill Analysis

HB 5425

AN ACT ALLOWING ADJUNCT FACULTY MEMBERS OF CHARTER OAK STATE COLLEGE TO WAIVE MEMBERSHIP IN A STATE RETIREMENT PLAN.

SUMMARY:

This bill allows an adjunct faculty member of Charter Oak State College to irrevocably waive participation in a state employee retirement plan within 60 days of beginning employment. Adjunct faculty members of regional community-technical colleges may already do this under current law.

The waiver remains irrevocable if the faculty member accepts subsequent part-time employment with the regional community-technical college system, Charter Oak State College, the Board for State Academic Awards, the Board of Regents for Higher Education, the University of Connecticut (UConn), or the Connecticut State University system (CSUS). This condition applies under current law to adjunct regional community-technical college faculty who waive participation in a state employee retirement plan. (If the faculty member becomes a full-time employee, he or she can join a state retirement plan at that time.)

Under the bill, Charter Oak State College adjunct faculty members who waive state employee retirement plan participation may still make tax-deductible contributions to individual retirement accounts (IRAs). Depending on a person's filing status, Internal Revenue Service (IRS) regulations may prohibit federal tax deductions for IRA contributions if a person is also covered by an employee retirement plan.

EFFECTIVE DATE: July 1, 2013

BACKGROUND

Retirement Plan Participation

The State Employees Retirement Act requires that all state employees participate in a retirement plan. Teachers or professional staff members who are first employed after July 1, 1997 are currently covered under the State Employees Retirement System (SERS) unless they elect to participate in either the Teachers Retirement System or the Alternate Retirement Program within six months after commencing employment.

Under Section 414(h)(2) of the Internal Revenue Code, in order for contributions deducted from compensation to be “picked up” by the employer (and excluded from the employee’s taxable income), participation in the retirement plan must be a mandatory condition of employment. IRS rules allow an employee to waive participation in a mandatory retirement program. However, that choice can only be made on a one-time, irrevocable basis. An employee who fails to opt out within a designated period must automatically be enrolled in a mandatory retirement plan. Part-time lecturers employed by Connecticut community colleges, except for those currently employed by Charter Oak State College, can waive participation in a retirement plan.

COMMITTEE ACTION

Higher Education and Employment Advancement

Joint Favorable

Yea 19 Nay 0 (2/19/2013)